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Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 SSO-00 CIAE-00 COME-00
DODE-00 DOTE-00 FMC-01 INR-10 NSAE-00 CG-00
DLOS-09 OES-07 INRE-00 /046 W
----------011727 092302Z /66
O 091629Z JUN 78
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC IMMEDIATE 0000

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E.O. 11652: N/A
TAGS: EWWT, VE
SUBJECT: SHIPPING LYKES STEAMSHIP CO. REQUEST FOR
ASSOCIATE STATUS WITH CABN

REF: STATE 141849, CARACAS 2774

1. EMBASSY HAS DISCUSSED LYKES ENTRANCE INTO VENEZUELA SHIPPING ROUTES WITH CAPITAN RIOS, GENERAL MANAGER OF CAVN, SEVERAL TIMES IN THE PAST. RIOS WAS NOT FAVORABLY INCLINED TO GRANT ASSOCIATE STATUS AT THAT TIME. CAVN'S ECONOMIC POSITION HAS BEEN DETERORIATING IN RECENT YEARS. IN 1977, CAVN LOST MONEY FOR THE FIRST TIME IN THEIR HISTORY. WHILE CAVN'S CARRYING CAPACITY HAS BEEN ENLARGED BY THE ACQUISITION OF TEN NEW VESSELS WHICH ALL ARRIVED WITHIN THE LAST YEAR, THEIR MARKET SHARE HAS BEGUN TO DECLINE DUE TO INCREASING COMPETITION FROM THE PRIVATE SECTOR SHIPPING LINES. THESE LINES HAVE BEEN GRANTED ROUTES TO U.S. EAST COAST (NORTH AND SOUTH) AND ARE REQUESTING ACCESS TO U.S. GULF COAST. THE VENEZUELAN MERCHANT MARINE HAS THE RESPONSIBILITY UNDER LAW FOR THE PROTECTION AND DEVELOPMENT OF THE MERCHANT MARINE TO ENCOURAGE THE EXPANSION OF VENEZUELA'S PRIVATE FLEET EVEN THOUGH IT IS CURRENTLY TO THE DETRIMENT OF CAVN. CAVN'S PROBLEM IS NOT HELPED BY FACT THAT ITS NEW FLEET IS ALREADY OUTDATED (NON-CONTAINERIZED) AND THE PORT INSTITUTE (INP) IS
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ENCOURAGING USE OF NEW TECHNOLOGIES (RO/RO, CONTAINERS, ETC). RIOS SAID THAT CAVN CONSIDERS THE GREAT LAKES ROUTE PART OF EAST COAST TRAFFIC AND WHILE CAVN WOULD NOT DISALLOW LYKES ENTRANCE, THEIR SHARE OF THE MARKET WOULD HAVE TO COME FROM PRUDENTIAL'S 50 PER CENT SHARE AND NOT CAVN'S MARKET.

2. ON THE OTHER HAND, RIOS HAS ALSO EXPRESSED HIS DESIRE TO

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SEE ANOTHER U.S. FLAG LINE ENTER VENEZUELAN BECAUSE NOW PRUDENTIAL
AND DELTA ARE OWNED BY THE SAME COMPANY. RIOS EXPRESSED DISCOMFORT THAT

PRESENT U.S-.VENEZUELAN MARITIME POLICY IS DEPENDENT UPON CAVN'S
RELATIONSHIP WITH ONE FIRM.

3. EMBASSY ARGUMENT HAS BEEN THAT TOTAL U.S.- VENEZUELAN TRAFFIC
IS DOMINATED BY VENEZUELANS. THE ONLY AREA WHERE PARITY EXISTS
IS TRAFFIC FROM THEU.S. NORTHEAST COAST. ALL TRAFFIC FROM THE
U.S. SOUTHEAST IS VENEZUELAN OR THIRD COUNTRY. TRAFFIC OUT OF
THE GULF COAST IS AT BEST 25/75 PER CENT IN FAVOR OF VENEZUELA. THE
VENEZUELAN MERCHANT MARINE'S ACTION IN GRANTING VENEZUELAN
PRIVATE LINES ACCESS TO U.S. EAST COAST FURTHER EXACERBATES
THE SITUATION. AS VENEZUELAN CARRYING CAPACITY INCREASES,
THEIR CARGO PREFERENCE LAWS OF 1973 HAVE CHANGED FROM "DE JURE"
TO AN ACTUALITY AND ARE BLATANTLY DISCRIMINATORY. AS SUCH,
VENEZUELA COULD BE PRIME TARGET FOR FMC RELATIATORY ACTION.
WHILE ALLOWING LYKES BROS. INTO VENEZUELA WOULD NOT CHANGE
VENEZUELAN DISCRIMINATORY TENDENCIES, IT WOULD HELP IN
AMELIORATING THIS SITUATION.

4. LEO MOOY, GENERAL MANAGER OF BOULTON SHIPPING AGENCY AND A
DIRECTOR OF INP, HAS BEEN TALKING WITH RIOS ON BEHALF OF LYKES
BROS. MOOY IS VERY FAMILIAR WITH ISSUES AT HAND AS IT WAS HE
WHO HELPED NEGOTIATE PRUDENTIAL'S LASH ENTRANCE
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INTO VENEZUELA. MOOY SAID
THAT RIOS IS LEANING MORE TO THE TRAIN OF THOUGHT PRESENTED IN
ARA #2 AND THAT CAVN IS HOLDING A MEETING ON FRIDAY JUNE 9
TO DISCUSS LYKES ENTRANCE. HE TALKED WITH LYKES JUNE 8 AND
REPORTS THAT THEY (LYKES) BELIEVE THAT SINCE RIOS IS FULLY AWARE
OF EMBASSY'S PREVIOUS REPRESENTATION AN APPORACH BY EMBASSY AT
THIS TIME MIGHT BE CONSIDERED HARASSMENT AND ANTAGONIZE RIOS
RATHER THAN HELP PERSUADE HIM. EMBASSY CONCURS AND WOULD
PREFER TO WAIT UNTIL AFTER CAVN'S JUNE 9 MEETING TO RAISE MATTER,
IF NECESSARY, WITH GOV.

5. IF ANSWER IS NEGATIVE, EMBASSY WOULD PROPOSE
DISCUSS MATTER WITH GOV OFFICIALS AT MINISTERIAL
LEVEL. IN ORDER TO CAREFULLY OCHESTRATE THIS
REPRESENTATION, IF REQUIRED, EMBASSY WOULD APPRECIATE
SUMMARY STATEMENT USG POLICY THIS AREA AND POSSIBLE
RETALIATORY ACTIONS.

6. REQUEST EMBASSY BE PROVIDED WITH COPY OF ANY
FUTURE CORRESPONDENCE OF THIS NATURE AT TIME OF
MAILING.
VAKY

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Message Attributes

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Concepts: MARINE TRANSPORTATION, STEAMSHIP LINES
Control Number: n/a
Copy: SINGLE
Draft Date: 09 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
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Format: TEL
From: CARACAS
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Locator: TEXT ON-LINE, ON MICROFILM
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Original Classification: LIMITED OFFICIAL USE
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